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Discount Store News®

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SportsClub, a new membership warehouse sporting goods retailer, hopes to have as many as 16 stores, with an average size of 60,000 sq. ft. each, in operation by year-end. (DSN photo)

New Warehouse Format Booms

SportsClub Plans Four-Fold Growth

LOS ANGELES — All American SportsClub, a young four-unit membership warehouse sporting goods chain, announced it will attempt a private equity placement to raise funds for an additional 10 to 12 stores this year.

Robert McNulty, chairman and chief executive officer of SportsClub, Anaheim, Calif., expects to have 14 to 16 SportsClub outlets—averaging 60,000 sq. ft. each—open by the end of 1987. All will be in California.

SportsClub raised $10 million in an initial private equity placement last summer. McNulty said he now will attempt a second placement to raise an additional $15 million for 1987 expansion.

Last August, McNulty resigned from the 28-unit HomeClub, the membership warehouse home center chain he founded in 1983 and sold to

(Continued on page 51)

Target Streamlines; Lays Off 125 Execs

MINNEAPOLIS — Target Stores, the 246-unit discount chain based here, has eliminated 219 positions in headquarters, distribution centers and regional offices, resulting in the termination of 125 executives.

"Because the majority of our management personnel is located at the headquarters office, the number of people affected by this cutback reflects that concentration," said George Hite, vice president of public and consumer affairs. The firings represent 3% of Target's management staff.

In addition to the firings, 64 employees were transferred within the company and 30 filled vacancies due to natural attrition, said Hite.

"The firings were not based on job performance," said Hite, noting that all employees were meeting or exceeding work responsibilities.

(Continued on page 69)

CES Offerings Entice Chain Electronic Buyers

By JOSEPHINE FIAMINGO

LAS VEGAS — Discount store buyers at the International Consumer Electronics Show held here last month were attracted to home office products, especially typewriters and the new personal, portable copiers, while the CE specialty chains concentrated on leading edge products like Digital Audio Tape (DAT).

In addition, video games, once a lagging category, appear to be making a comeback, said retailers interviewed at the January show.

Meanwhile, despite lower VCR prices seen at the show, a number of discounters are de-emphasizing video for spring and concentrating more on compact disc players, stereo television and increased selection in color and design in portable audio and telephones.

(Continued on page 4)

Home Shopping Moves To Acquire C.O.M.B.

By ARTHUR MARKOWITZ

CLEARWATER, Fla. — Home Shopping Network (HSN), the nation's dominant teleshopping operator, and closeouter C.O.M.B. have reached a preliminary agreement on a stock swap that could create a giant video retailing firm and result in a major realignment of the growing telemarketing industry.

In a separate, unrelated deal, HSN plans to buy a Baltimore thrift institution as its entry into the financial services field. HSN could offer such service on its TV shopping programs and through its direct marketing company, Stuart McGuire, which publishes a number of catalogs.

The $648 million offer for C.O.M.B. calls for HSN to pay $36 a share for each of the closeouter's 18 million common shares. HSN will pay $40 million in cash for Baltimore Federal Financial. Both deals are subject to approval by a number of Federal agencies.

It remains to be seen whether the proposed C.O.M.B. deal would aid or hinder smaller video marketers groping for a share of the burgeoning business—projected to exceed $1 billion this year.

Key to the future of teleshopping is the attitude of two distinct, but related segments of the TV industry, multiple system cable TV operators (MSOs) and independent commercial TV stations, mainly UHF broadcasters, to HSN's acquisition of Plymouth, Minn.-based C.O.M.B, which owns 50% of Cable Value Net-

(Continued on page 69)

50% Hike in Minimum Wage Possible As Advocates Rally Around New Bill

WASHINGTON — Congressional supporters of an increased minimum wage rate have introduced a bill calling for a 50% hike in the $3.35 national hourly pay floor.

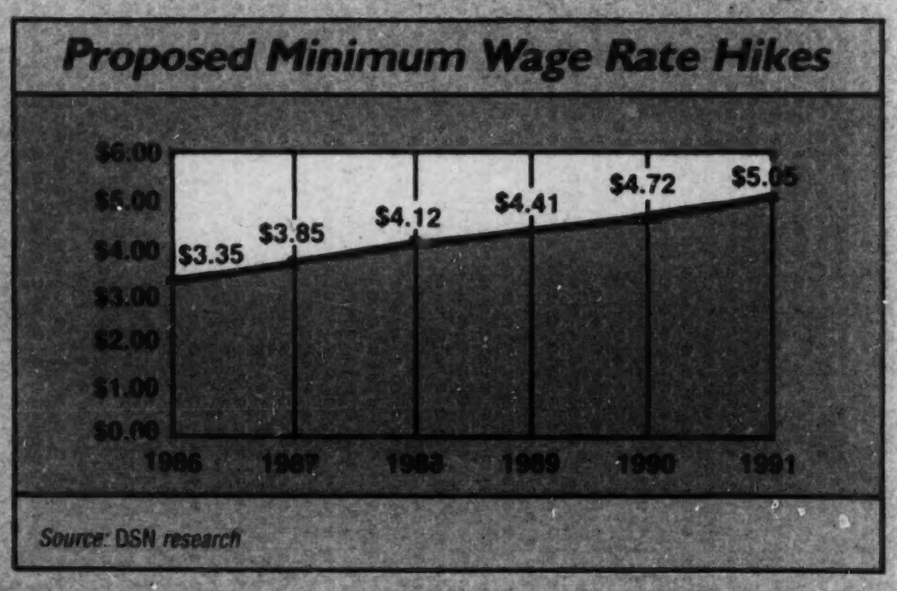
The bill, H.R. 79, introduced in the House at the opening gun of the new Congressional session, would add $1.70 per hour over the next four years to the cost of employing each minimum wage worker.

At that point, the legislation would establish an "escalator clause" calling for future annual adjustments in the hourly wage rate in step with increases in the average earnings of all private sector employees.

Now that the Democrats have recaptured control of both chambers, minimum wage advocates are expected to mount an intensive campaign to raise the hourly wage rate.

Adding to the favorable outlook for such legislation this year is the announcement of incoming Senate Labor Committee chairman Edward Kennedy that passage of a new

(Continued on page 70)



Apparel: | Home Products: NHMA Shows? | Hard Lines: Sporting Goods Super Show —page 45

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MARKETWATCH

Danners Inks New Credit Agreement

INDIANAPOLIS — Danners signed a new $14.1 million credit agreement with its banks on Jan. 20, enabling the financially-pressed discount chain to begin paying past-due trade bills. The banks also agreed to lend the chain $7 million against proceeds from the liquidation of inventory in 17 of its 35 3D Discount stores, which began last month (see *DSN*, Jan. 19, page 3).

K mart Readies More Banking Centers

TROY, Mich. — K mart will unveil convenience banking centers in Minnesota stores for the first time when five Minneapolis/St. Paul units begin offering financial services this month. Another six K marts in the Twin Cities are due to get banking centers in September. Metropolitan Federal Saving Bank of Moorhead, a subsidiary of Metropolitan Financial Corp. (MFC) will operate the banks. MFC is a member of the First Nationwide Network, the franchisee arm of First Nationwide Financial Corp., which last month signed an agreement to open financial centers in 150 K marts (see *DSN*, Jan. 19, p. 1).

Ex-Gemco Chief Goes to Fisher's

JOHNSTOWN, Pa. — Stanley Brenner is the new president of Fisher's Big Wheel, the 84-store discounter based here. Brenner was previously chairman and chief executive officer at Gemco, the recently closed discount division of Lucky stores. He had been at that company for two years. Brenner is also a 21-year veteran of Prange-Way in Green Bay. Wis., where his last position was president.

ABC Mulls Early A.M. Shopping Show

NEW YORK — The ABC-TV network is considering airing a teleshopping show in the early morning hours when it doesn't broadcast any program. A spokesman said the idea "was only in the discussion stage" as one of a number of suggestions for programs to be broadcast during the dead air time between 2 a.m. and 6 a.m. ABC Video Enterprises, which is the division involved with the basic ESPN, Lifetime and Arts & Entertainment cable TV networks that are partly owned by ABC, was exploring the video retailing idea.

Paysaver Closes Freestanding Showroom

HOLYOKE, Mass. — Paysaver plans to shut its freestanding Springfield, Mass., showroom by the end of next month and is negotiating to open a store in a shopping center closer to the greater Eastfield area. Sale of the Springfield site will reduce Paysaver's overhead and "help contribute to a return to profitability," said president Charles L. Polep. He added that the change in consumer buying habits have made locations in or near shopping centers more desirable that freestanding showrooms.

UCC Slates Bar Code Seminars

NEW YORK — The Uniform Code Council (UCC), which controls the Universal Product Code, including assigning UPC numbers, will hold orientation seminars March 12 in Los Angeles and Oct. 28 in Chicago. Information on UPC and the UPC orientation seminars is available from the Uniform Code Council, P.O. Box 1244, Dayton, Ohio 45401-1244, phone: (513) 435-3870.

L-F Moves San Francisco Office

Lebhar-Friedman Inc., parent of *Discount Store News*, has relocated its San Francisco Bay Area regional office from Hayward to San Francisco. The new address is: 400 Montgomery Street, San Francisco, Calif. 94104. Telephone: (415) 362-2575.

INDEX

Apparel 19
  Activewear 19
Classified 62
Editorial 6
Executive Changes 16
Hard Lines 45
  At the Source 57
  Manufacturer News 56
  Hardware 55
  Sporting Goods 51
  Toys 48
Home Products 23
  At the Source 28
  Domestics 27
  Housewares 25
  Manufacturer News 41
Retail Management Development Series 58
Stock Update 61

Bill Would Shift Burden of Proof To Suppliers in Price Fixing Cases

WASHINGTON — House Judiciary Committee chairman Peter Rodino (D-N.J.) introduced new legislation to rewrite the rules in resale price maintenance (RPM) cases, a move that would enable discount chains to more successfully challenge in the courts suspected RPM conspiracies.

The bill effectively would scrap controversial new standards of evidence in such cases established by the Supreme Court in its landmark 1983 *Monsanto* resale price fixing decision.

Although that ruling upheld the "per se" (automatic) illegality of "Fair Trade-style" RPM activities, it also made it virtually impossible for victims of these practices to prove the existence of RPM conspiracies in court.

Rodino's bill (H.R. 585) would reverse the *Monsanto* standard by shifting the burden of proof in RPM cases to the manufacturer.

In its previous ruling, the Supreme Court held that a manufacturer's decision to terminate sales to a discounting retailer in response to complaints from full-price dealers was not sufficient to establish the existence of an illegal RPM conspiracy.

In addition, the court said, the victim of these practices, usually a discounter, must produce evidence that precludes the possibility that the

(Continued on page 70)

Where's Crazy Eddie?

Founder's Absence Raises Concerns

NEW YORK — Crazy Eddie's commercials screaming of "insane" prices have always attracted a lot of attention.

But the goings-on at the retailer's Edison, N.J., headquarters are creating far more fuss these days, even though management is trying to keep things extremely quiet.

The big mystery is—where's Eddie Antar?

The founder and guiding genius of the company has not surfaced for nearly two months. The report earlier this month (*DSN*, Jan. 19, page 43) that he had resigned as chief executive with his duties being assumed by a troika—his brother, cousin and one non-family member—simply raised more questions about the future of the firm.

What is known is that Eddie Antar will remain as chairman and a director.

What is also known is that Crazy Eddie's business did not live up to expectations in the Christmas period. While sales for the four weeks ended Dec. 28 were $62 million dollars, up 50.3%, comparable store sales were down 9%.

It is generally believed that the 39-year-old founder is ill."I was told that he was ill and had not been at the office since early December, probably even before then," said analyst Edwin L. Underwood of Scott & Stringfellow in Richmond, Va.

(Continued on page 70)

DSN 25th ANNIVERSARY TRIVIA QUIZ: 1964

In 1964, big numbers expansion caused stock analysts to begin to beat the drums for the developing discount industry. Emphasis was less on earnings and dividends, and more on new store commitments and broader, one-stop shopping offerings, as emerging chains began to put their flags up in key markets.

DSN invites you to test your recall of industry events of 1964 with the questions that follow. As part of our 25th anniversary, DSN is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, including your name, address and telephone number, on standard letterhead, and mail to:

Quiz Editor - 2/2
Discount Store News
425 Park Ave.
New York, N.Y. 10022

Winners and correct answers to each quiz will be announced in a future issue.

1. Not all the key discount chain players in '64 traded dividends for store investment dollars. One such industry leader continued his policy of double dividends (5% a year) plus a 2% stock dividend. He was:
a) Harry Cunningham (Kresge);
b) Stanley Feldberg (Zayre);
c) Sol Price (Fedmart).

2. Back in 1964, with thinly stored markets, customers on average traveled many more miles to shop at a discount store. One survey reported that the percentage of customers that traveled more than nine miles was:
a) 10%;
b) 27%;
c) 52%.

3. K mart, in pushing the expansion button in its third year, made a unique acquisition of two existing Thrift City stores. They were located in:
a) Atlanta;
b) Pittsburgh;
c) San Diego.

4. Industry market share gains in key merchandising categories continued to build. For housewares, the NHMA reported that the discount market accounted for what percent of total U.S. housewares business?
a) 7%;
b) 9%;
c) 12%.

5. Merchandise assortments in key departments were spreading to more sku's in category count. The first DSN survey of the "drug" department showed that the category with the most space in that department (11%) was:
a) tobacco;
b) stationery;
c) hair coloring.

6. In 1964 discounters moved into the No. 3 spot as the retail segment doing the most drug business after supermarkets and drugstores. Their market share in 1964 climbed to:
a) 5%;
b) 10%;
c) 17%.

7. What hasn't changed since 1964 is the industry emphasis on merchandise turns. Dun & Bradstreet reported turns for 1963 at 5.8 and a respectable increase in 1964 to:
a) 6.1;
b) 6.2;
c) 6.8.

8. Food departments incidence jumped by 5 points in 1964 over the previous year. What percentage of the industry's 2,229 stores had supermarket departments:
a) 21%;
b) 47%;
c) 58%.

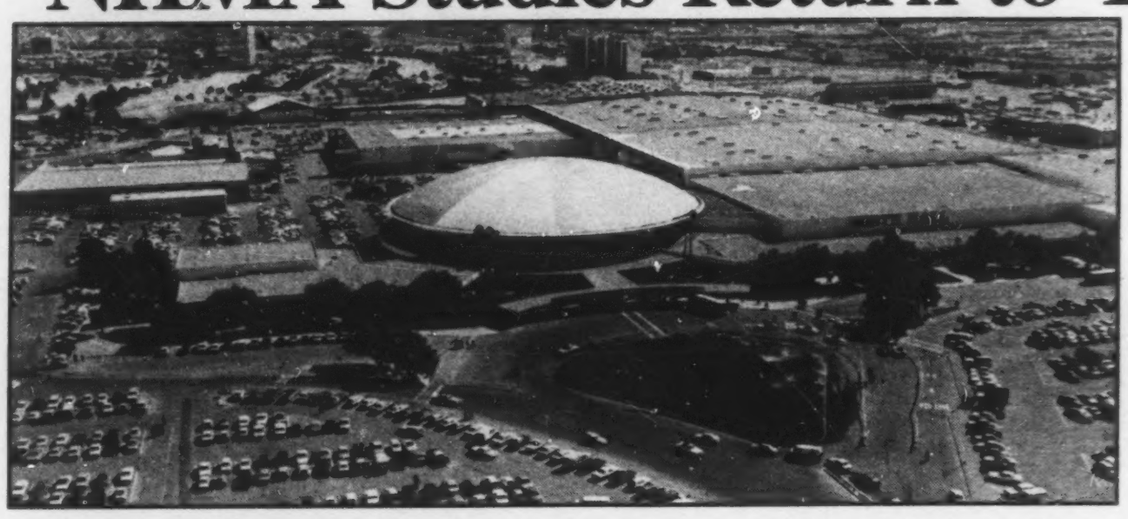
9. Non-metropolitan area sites were beginning to be more sought after in 1964, but major markets still dominated the locations pattern of the industry. The top 50 markets accounted for what percentage of the total industry store locations?
a) 35%;
b) 46%;
c) 58%.

10. Takeover of leased departments continued in 1964, yet one major department was still at that time leased by more than half of the existing discount stores. It was:
a) drug;
b) hardware;
c) linens.

11. Kresge announced plans to have 34 new stores in operation by the end of '64, for a total of 88. Kresge, normally a conservative forecaster, also forecast a total of 250 K marts in operation by 1969. The K mart store count by the end of 1969 actually was:
a) 190;
b) 250;
c) 330.

Home Products

NHMA Studies Return to Two-Shows-A-Year Schedule



Las Vegas Convention Center, Las Vegas, site of The Interface Group, HouseWorld Expo, Aug. 31 to Sept. 2, 1987.

Atlantic City Convention Center, Atlantic City, N.J., site of Tower Conference Management Co., Fall Housewares Show, Sept. 27 to 30, 1987.

By MARY ELLEN KELLY

CHICAGO — The National Housewares Manufacturers Association (NHMA) has taken the first steps toward what could be a reversal of last year's decision to switch to a single-show schedule. The association is currently exploring the possibility of returning to a two shows-a-year format.

If approved by association members, the biannual schedule could threaten the existence of privately sponsored shows created in response to the original single show decision.

The William T. Glasgow Inc.-sponsored Summer Housewares Show, scheduled to make its debut July 20 to 22 in Chicago, has been cancelled. This gives the NHMA the option of using those dates to establish a second show as of 1988.

The decision to reinstate a biannual show calendar will be contingent upon the results of an NHMA members poll regarding their schedule preference, said Sue Palmore, director of communications.

Results of the poll, which will be conducted by mail this month, should be completed by the time the industry convenes at the NHMA show in April, Palmore said.

The NHMA has sought since last November to nail down dates in Chicago to prevent The Interface Group's HouseWorld Expo, which is sponsoring a competing show in Las Vegas, from getting a foothold in what has historically been the NHMA city.

Brian Casey, show director for the the NHMA, had sent a letter to McCormick Place in November 1986 requesting first right of refusal in the event Glasgow failed to go through with plans, an NHMA source said.

July Show Dates Held for NHMA

William Glasgow Sr., show manager, said his organization has reached an agreement with the NHMA ensuring that the July show dates will be available for the association in 1988 should the NHMA decide to reinstate a second show. Citing manufacturer participation that was below expectation, Glasgow also said that exhibitor fees will be refunded to those vendors who had committed themselves to the show.

If a second NHMA show were reestablished, big name vendors and retailers might not attend the other shows, said housewares retailers and manufacturers, who claim that competing trade shows will fragment the industry.

Eight months ago, the NHMA had switched to a single-show schedule based on a unanimous vote of its board members.

Since that time, several manufacturers including Richard Stern, president of Associated Mills, have tried to persuade the NHMA to continue to offer its members a second show alternative.

Stern, who commissioned a Chicago-based research firm to conduct a telephone survey regarding the

(Continued on page 25)

Executives Debate Domestics' Place in Off-Price Apparel

Nationwide DSN Report

Do the domestics departments that many off-price apparel chains either lease or operate themselves really fit into stores that specialize in clothing bargains?

Some off-price chains and leased department operators say the heavy traffic that the off-price apparel stores generate creates many opportunities to hook the female customer. But others claim domestics belong in apparel stores about as much as automobiles belong in grocery stores.

"Any type of store that attracts heavy traffic is a good climate for domestics," said Donald Abrams, president of Three D Departments, an East Hartford, Conn.-based company that operated leased domestics departments in K mart's Designer Depot off-price apparel stores.

K mart announced last November it would close the 79-unit chain, and Three D has filed a breach of contract suit in Federal Court against K mart, seeking damages "substantially in excess of $1 million" for revenue losses it says it will incur as a result of the closing.

"Leased domestics departments have been good business for us and we would expand in that direction if more opportunities were available," said Abrams, referring to recent off-price apparel chain fatalities.

Three D also once operated leased domestics departments in the Los Angeles-based Zodys Discount Department Stores chain before that company folded last year. Three D had annual sales of $2.5 million in one 5,000-sq.-ft. Zodys department, Abrams said.

Three D now operates only six leased departments, all in the Cincinnati-based Van Leunen's discount store chain. In addition, it operates 27 freestanding off-price bed and bath stores in California, New Hampshire, New York, Connecticut and Massachusetts under its own name.

The company also shares space in three California units with Nordstrom Rack, an off-price apparel division of Nordstrom department stores, in which each operates under its own logo. Three D had sales of $44 million in 1986, Abrams said.

(Continued on page 27)

MARKETWATCH

NEEDHAM, Mass. — **The Interface Group Inc.**, producer of the coming HouseWorld Expo in Las Vegas, has scheduled its first annual HouseWorld Expo, in Sydney, Australia, May 5 to 7 at the RAS Showgrounds. The Australian expo will feature a conference program aimed at marketing and product issues of special relevance to retailers, seminars and marketing discussions and exhibits from manufacturers around the world.

* * *

STAMFORD, Conn. — Retail telephone sales were expected to reach 25.2 million units last year and sales are expected to climb steadily through the end of the decade, according to a report by **GTE Consumer Communications Products.** In addition, 4.3 million telephone answering systems were sold last year, said Freeman Robinson, vice president and general manager of the telephone equipment marketer. Robinson also said that consumers' acceptance of new features, such as programmable memory, automatic repeat dialing, speakerphone operation and liquid crystal readouts, is propelling sales of higher-end telephone categories. He predicted that advanced feature telephone unit sales will jump to 4.7 million units in 1987, from an expected 4.3 million units in 1986. Stand-alone telephone answering devices and integrated telephone/answering machine combinations will achieve unit sales of some 5.1 million this year, from an estimated 4.3 million units in 1986. Cordless phones will total about 3.7 million unit sales in 1987, from 3.3 million. A total of some 15.5 million basic and enhanced basic phones will be sold this year, up from 15.3 million units in 1986.

* * *

WASHINGTON — Sales of home video products through the first 11 months of 1986 continued to run ahead of the previous year's pace, reported the **Electronic Industries Association (EIA).** Through November 1986, color television sales to dealers exceeded the first 11 months of 1985 by more than 6%. Sales of black and white models were up 7% compared to the same period a year ago. Sales of projection televisions increased 21% over the year-ago period. The EIA also reported that more than 11.5 million video cassette recorders were sold during the first 11 months of 1986, a 12% increase. Camcorder sales for the period topped the previous year's total by 163%.

Home Video Sales to Retailers
(In Units)

Product	Jan.-Nov. 1986	Jan.-Nov. 1985	% Change
Color TVs	16,323,082	15,317,699	+ 6.6
Monochrome TVs	3,529,739	3,291,065	+ 7.3
Projection TVs	277,726	229,256	+21.1
VCRs	11,535,412	10,320,715	+11.8

Source: Electronic Industries Association

Toys 'R' Us Trims Expenses, Passes Along Tax-Cut Savings

ROCHELLE PARK, N.J. — Toys "R" Us (TRU), the nation's largest toy store chain, is moving aggressively in 1987 to open about 60 new stores, including its first attempts to crack into two new markets.

At the same time, the 271-store giant is reducing operating expenses to offset increases and cutting prices by passing along its expected savings from the new tax law.

Like many other retailers, TRU will benefit from the recently passed tax law, but—unlike most others—TRU announced it will pass along tax savings to consumers in the form of reduced toy prices.

The chain's effective tax rate will fall to 41% from 47%, resulting in a savings of between $30 and $35 million, a company spokeswoman said. In addition, under the new law, the tax rate will fall to a maximum of 34% July 1.

The tax cost reduction, plus money saved from pared operating expenses, will result in a $50 million cut in toy prices for TRU customers this year.

The announcement of the pass-along savings touched off similar statements from two discount chains, Wal-Mart and Target, that they, too, would make price reductions based on their tax savings. Officials at all three companies declined to discuss what form the price cuts would take.

A key element of TRU strategy this year is to cut operating expenses. A company spokeswoman said that TRU will install laser scanners during the next 18 months in an effort to increase efficiency at store level. This technology is expected to speed customers through the register and double the sales volume capabilities available at the stores. Yet TRU anticipates making no staff cuts as a result.

A new payroll productivity system also has been put in place at store level to ensure efficient staffing.

Overall, these expense trimmings will result in a decrease in selling, general and administrative costs of about 14%, while selling space rises by 20%, in fiscal 1987, John W. Weiss of Montgomery Securities noted in a research report. That decline contrasts with expense increases of 35% in 1985 and 19% in fiscal 1986.

The company announced plans to open about 60 more stores in the U.S., including its first units in Pittsburgh and Phoenix.

While the chain reported that Christmas sales grew a strong 27% over last year, TRU experienced weak sales in economically strapped Texas and Oklahoma.

Chainwide sales for the 11 months ended Dec. 28, 1986, rose slightly to $2.3 billion, or 23.2%, from $1.9 billion in the comparable period a year ago.

Sales during the eight-week Christmas selling season (Nov. 3 to Dec. 28, 1986) totaled more than $1 billion. TRU reported that holiday sales rose 26.8% to just over $1 billion from $826 million during Christmas 1985.

The toy chain's market share reached 15% by the end of 1985. The company expects to capture more than 20% of the U.S. toy business by the turn of the century if the retailer continues its roughly 2% annual market growth rate.

In addition to its strong domestic sales, TRU reported comparable toy store sales rose in Canada and the United Kingdom, countries where the retailer plans to build more stores this year.

In 1987, the company also will introduce its discount toy stores into West Germany.

Besides growth in toys units, Kids "R" Us, the company's 43-unit specialty children's clothing store chain, added 25 stores this year, mostly in the Midwest.

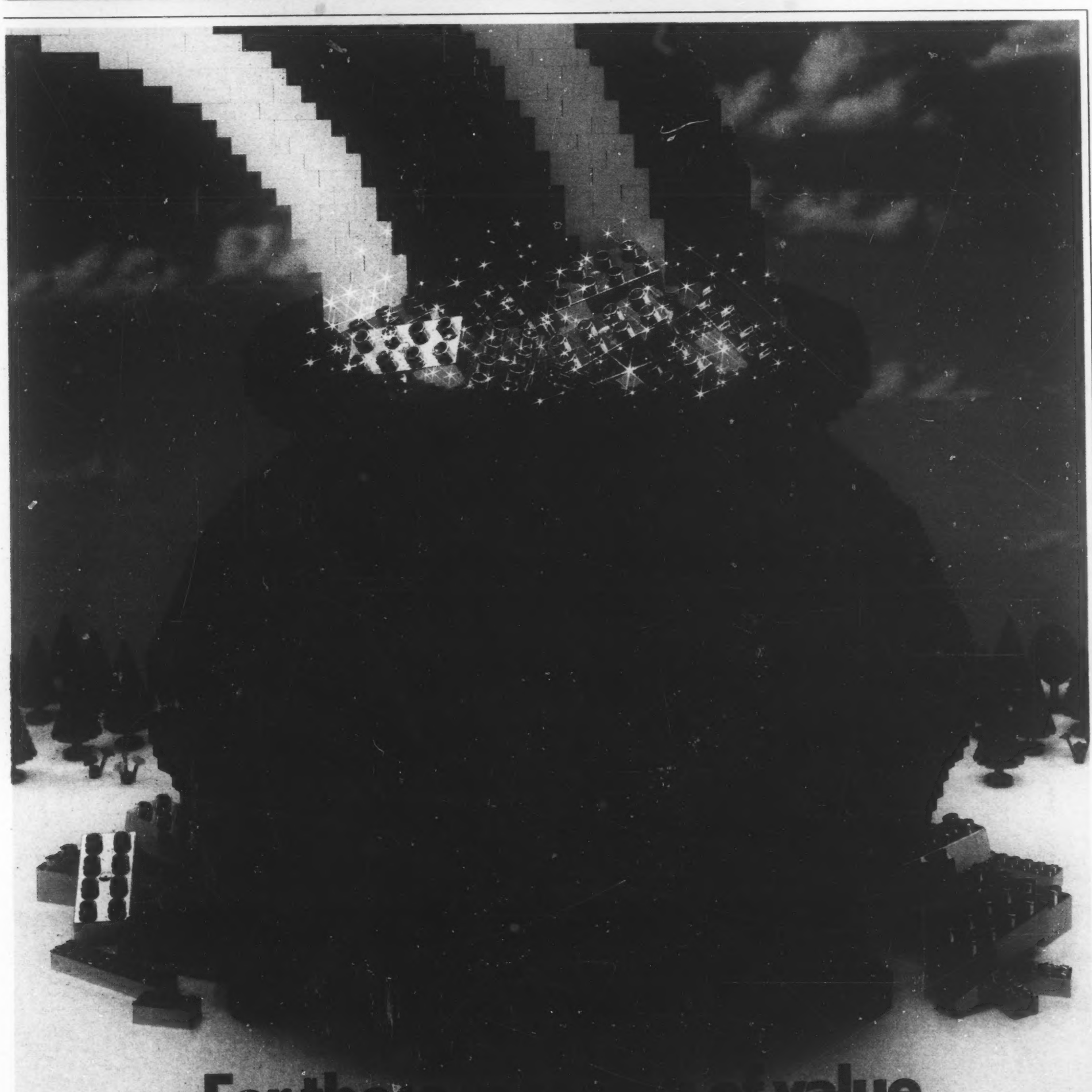
Top Toy Chains to Open 158 Units

Chain (HQ. State)	Projected Fiscal 1986 Sales (Millions)	Number of Units 1/86	1/87	1/88	Avg. Store Size (Sq. Ft.)
Toys "R" Us (N.J.)	$2,434*	233	271	331	25,000
Child World (Mass.)	629*	120	134	149	36,000
Kay Bee (Mass.)	505*	584	639	699	3,500
Lionel (Pa.)	272	56	66	67	25,000
Greenman Bros.** (N.Y.)	158	310	338	350	3,500
K & K Toys (Va.)	44*	96	105	115	3,200

*DSN estimate
**Includes Playland, Playworld and Circus World units

Source: DSN research

The tax cost reduction, plus money saved from pared operating expenses, will result in a $50 million cut in toy prices.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